

Message Text

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ACTION NEA-10

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FM AMEMBASSY SANA

TO SECSTATE WASHDC 7011

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NEA/ARP PLEASE PASS TO WORLD AIRWAYS

EO 11652: GDS

TAGS: EAIR, YE

SUBJECT: WORLD AIRWAYS MANAGEMENT PROPOSAL WITH YEMEN AIR

SUMMARY: YEMEN SEEKS WETLEASE FROM WORLD, CONTINUES TO HOLD OUT HOPE FOR MANAGEMENT CONTRACT.

1. DURING DEC 25 MEETING WITH FOREIGN MINISTER ABDULLAH AL-ASNAJ, I ENQUIRED ABOUT STATUS OF WORLD AIRWAYS MANAGEMENT PROPOSAL WITH YEMEN AIR AS WELL AS ABOUT SAUDI INTENTIONS IN THIS REGARD. ASNAJ REPLIED THAT AS OF NOW SAUDIS HAVE NOT RPT NOT MADE ANY FIRM COMMITMENTS, ALTHOUGH PRINCE SULTAN STATED DURING PRESIDENT HAMDI'S RECENT TRIP TO SAUDI ARABIA THAT SAG WILL IN THE SPRING SEND ANOTHER TEAM TO SANA FOR DEFINITIVE DISCUSSIONS. SULTAN ALSO INTIMATED THAT SAG MIGHT NOW REDUCE ITS ORIGINAL AMOUNT OF PARTICIPATION IN A JOINT YEMENI-SAUDI VENTURE FROM \$60 MILLION TO \$30 MILLION.

2. ASNAJ CONTINUED THAT AIR BRITANNIA'S WET LEASE AGREEMENT WITH YEMEN AIR EXPIRES IN MARCH. HE SAID THAT VIKING AIR (AN ICELANDIC COMPANY) HAS MADE AN ATTRACTIVE PROPOSAL ACCEPTING ALL OF THE CONDITIONS OF THE BRITANNIA AIRWAYS AGREEMENT BUT ALSO AGREEING TO COVER ALL OF THE PERSONAL EXPENSES (ROOM AND BOARD) OF THE FOREIGN CREWS. ASNAJ NOTED THAT

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THE LATTER COSTS ARE A MAJOR BURDEN ON YEMEN AIR.

3. ASNAJ WENT ON TO SAY THAT DESPITE THE VIKING OFFER, HE STILL WANTS WORLD AIRWAYS TO COME IN AND HE HOPED WORLD AIRWAYS WOULD BE PREPARED TO SIGN A WET LEASE AGREEMENT WITH YEMEN AIR IF ONLY ALONG THE LINES OF THE BRITANNIA AGREEMENT. ASNAJ STATED THAT BY SO DOING WORLD AIRWAYS WOULD THEN IN EFFECT BECOME A PARTNER OF YEMEN AIR AND WOULD BE A PARTICIPANT IN ANY FUTURE SAUDI-YEMENI TALKS ABOUT THE PROPOSED JOINT VENTURE.

4. I TOLD ASNAJ THAT A WORLD AIRWAYS TEAM WOULD BE COMING TO SANA IN MID JANUARY AND THAT I WOULD CONVEY TO THE COMPANY HIS OBSERVATIONS SO THAT THE TEAM WOULD BE IN A POSITION TO DISCUSS THE MATTER FULLY AT THAT TIME.

5. COMMENT: ASNAJ APPARENTLY NOT FAMILIAR WITH WORLD MANAGEMENT PROPOSAL, AND ALSO NOT AWARE OF DETAILS OF WORLD WET LEASE PROPOSAL, ALTHOUGH EMBASSY GAVE HIM COPIES OF THESE DOCUMENTS AFTER THEY WERE COURRIERED TO YEMEN. NEVERTHELESS, WE STILL THINK--AND WE HAVE SAID BEFORE--THAT ASNAJ (NOT JAGHMAN, YEMEN AIRCRAFT COPRORATION OFFICIALS OR OTHERS) WILL MAKE THE KEY DECISION, BUT HE OBVIOUSLY HAS NOT BEEN SEIZED BY THE ISSUE OF LATE. CABINET HAS FORMALLY APPROVED THE PROPOSAL FOR A JOINT SAUDI-YEMENI COMPANY, BUT THERE IS SIMPLY NO RPT NO DETAILED PLANNING TO GIVE SUBSTANCE TO THIS IDEA. BIGGEST CONCERN OF YEMEN AIRLINES IS THUS TO KEEP FLYING WHEN AIR BRITANNIA WET LEASE EXPIRES IN TWO MONTHS. (AIR BRITANNIA WILL NOT RPT NOT RENEW APPARENTLY BECAUSE THEY THINK PLANE CAN NOW BE PROFITABLY EMPLOYED IN TOURIST RUNS IN EUROPE.) WE ARE IN PROCESS OF PUTTING TOGETHER INFORMATION REQUESTED IN REFTEL, AND LOOK FORWARD TO VISIT OF WORLD REPRESENTATIVE IN JANUARY. MATTERS, HOWEVER, HAVE NOT ADVANCED FAR BEYOND SITUATION WHICH PREVAILED WHEN ZARU, PATTERSON AND HUGHES VISITED IN LATE OCTOBER. WE DON'T THINK THAT MADGBEMENT CONTRACT WHICH DRAWS ON SAUDI MONEY IS LIKELY TO MATERIALIZE SOON. IN THE MEANTIME, BEST OPPORTUNITY FOR BUSINESS

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HERE IS NEW WET LEASE. THAT WOULD PUT WORLD ON INSIDE OF ALL DISCUSSIONS ABOUT MANAGEMENT CONTRACT, AS ASNAJ STATED. YEMENIS OBVIOUSLY DISPOSED TO BARGAIN FOR BEST DEAL (VIKING OFFER DOUBTLESS BEING PASSED AS PART OF THAT TACTIC). WE THINK WORLD SHOULD MAKE DETERMINED EFFORT BEFORE COMING BACK TO YEMEN TO SORT OUT THE BIDDING (TYPE OF AIRCRAFT, COSTS, SCHEDULES, ETC.). EMBASSY CAN'T HELP MUCH IN LATTER MATTERS, AND CAN'T USEFULLY GET INVOLVED IN BARGAINING,

BUT WE WILL BE GLAD TO PASS MESSAGES AND REPORT REACTIONS.

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